

EXHIBIT A

MS. CARSON: 337.

MR. LEVIN: 337, I'm sorry, we've agreed to the rest and I could quickly read those into the record, and then we could just --

THE COURT: Why don't we do that, Mr. Levin, and I'll look at the two exhibits that are in question. 326 and 337?

MR. LEVIN: And 337, correct, Your Honor, and we are in agreement as to 30, 31, 32, 33, 34, 35, 36, 37, 40, 41, 52, 66, 67, 68, 69, 70, 72, 73, 75, 76, 79, 80, 83, 95, 96, 100.

MR. MCCARRON: I don't see 196 on our list, here.

MR. LEVIN: 96?

MR. MCCARRON: 95 to 100, those numbers. What's 96?

MR. LEVIN: 96 is a 7-14-94 e-mail from Daily to Salazar from the underwriting file.

MR. MCCARRON: It's fine, Your Honor.

MR. LEVIN: 96, 100, 104, 107, 124, 132, 138, 139, 146, 156, 157, 159, 161. Yesterday we agreed that 186 would be for identification only. 191, 194, 197, 198, 204, 205, 206, 215, 216, 221 for identification only, 226, 227, 228, 229, 230, 231, 237, 238, 251, 252, 260, 261, 275, 294, 298, 310, 312, 320, 324, 326.

MR. MCCARRON: That's the one I have an issue with, Your Honor.

MR. LEVIN: Excuse me, that's issue. 327. 335, 350, 353, 293, 301, and 307, which leaves us with issues I believe as to 326 and 337.

THE COURT: Mr. McCarron, would you state the basis for your objection to the admissibility of Exhibit 326 and 337? I looked at them, and they appear to be some interim financial materials that were sent at least in one case to the home office, and in the other case I don't believe there's a cover to it.

MR. MCCARRON: Let me tell you, the issue is the document can be admitted for the limited purpose of serving as a document which was included within the underwriting file for mere purposes of showing that this document, there is a document in the underwriting file. Our issue with respect to both documents, 326 and 337, is that they not be admitted for the truth of the information included within those two exhibits. They are hearsay and there has been no foundation.

THE COURT: Okay. I think I agree with you, and I'll admit them for the limited purpose that you have stated. The rest of the documents will be admitted or identified pursuant to the stipulation of counsel, and obviously, Mr. McGlynn and Mr. Levin, those two exhibits, 326 and 337, can be utilized during the course of this proceeding and I may admit it for other purposes if the foundation is established. Okay?

MR. MCGLYNN: Thank you, Your Honor.

THE COURT: We're in recess until 2:50.

(Recess taken at 2:37 p.m. Testimony resumed at 2:55 p.m.)

EXHIBIT B

GL-R06

CCI CONSTRUCTION CO., INC.

OMBINED

PAGE 1

For the 11 months ending 11-30-1999

INCOME STATEMENT

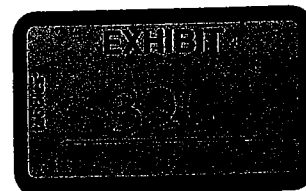
01-11-2000 11:05

ACCOUNT #

CURRENT % YEAR-TO-DATE %

4300	I N C O M E				
4350	REVENUE - % OF COMPLETED CONTR	6,746,894.52	99.9	62,073,199.88	99.9
4355	REVENUE - SHEET METAL SHOP	402.00		42,816.53	
4356	REVENUE - EQUIPMENT DIVISION	2,294.16		7,244.25	
4360	REVENUE - MISCELLANEOUS JOBS				
4300	REVENUE - CONSTRUCTION MGMT			2,500.00	
		<hr/>			
4350	TOTAL INCOME	6,749,590.68	100.0	62,125,760.66	100.0
5000	D I R E C T C O S T S				
5020	DIRECT COST - LABOR	858,509.90	12.7	10,615,233.98	17.0
5024	DIRECT COST - FICA EMPLOYER	62,433.61	.9	810,597.43	1.3
5025	DIRECT COST - FUTA EXPENSE	1,041.79		24,373.50	
5026	DIRECT COST - SUTA EXPENSE	7,400.99	.1	149,108.49	.2
5027	DIRECT COST - WORK COMP EXPENSE	36,052.23	.5	449,705.92	.7
5028	DIRECT COST - LIABILITY INS EXP	2,512.16		30,482.97	
5029	DIRECT COST - UNION FRINGE EXP	42,047.91	.6	311,863.24	.5
5030	DIRECT COST - EQUIPMENT	31,629.01	.4	205,923.09	.3
5040	DIRECT COST - RENTED EQUIPMENT	295,434.66	4.3	2,095,497.04	3.3
5050	DIRECT COST - MATERIAL	701,456.39	10.3	10,042,885.24	16.1
5060	DIRECT COST - SUBCONTRACTORS	4,329,770.29	64.1	30,659,438.08	49.3
5070	DIRECT COST - OTHER	524,094.41	7.7	3,834,778.72	6.1
		<hr/>			
5900	TOTAL JOB-RELATED COST	6,892,383.35	102.1	59,229,887.70	95.3
5990	GROSS PROFIT	(142,792.67)	2.1	2,895,872.96	4.6
6000	**OVERHEAD**				
6025	SALARY EXPENSE				
6045	SALARIES	121,912.53	1.8	1,709,862.25	2.7
6047	OFFICERS' SALARIES	19,230.77	.2	338,251.63	.5
6048	TOOL MANAGER SALARIES	2,398.50		22,301.50	
6065	BLUE CROSS/BLUE SHIELD	10,669.64	.1	130,552.40	.2
6085	PAYROLL BURDEN	9,193.89	.1	195,421.98	.3
6105	401(K)	2,631.54		32,666.96	
		<hr/>			
6110	TOTAL SALARY EXPENSE	166,036.87	2.4	2,429,056.72	3.9
6115	ADMINISTRATIVE EXPENSE				
6125	ACCOUNTING FEES	2,600.00		29,100.00	
6145	ADVERTISING			269.03	
6165	ALPHA MEMBERSHIP			2,600.00	
6205	BANK CHARGES	699.67		7,299.25	
6225	BLUEPRINTS AND PLANS	(78.40)		(870.99)	
6265	CC SPONSORED ACTIVITIES			1,275.35	
6285	COMPUTER EXPENSE	246.99		15,833.30	
6305	CONTRIBUTIONS			2,420.00	
6345	DEPRECIATION	120,553.00	1.7	1,286,994.00	2.0
6365	DODGE REPORTS			19,845.45	
6370	DRUG TESTING	15.00		1,101.00	
6385	DUES AND PERMITS	684.08		7,708.08	
6405	EMPLOYEE RECRUITMENT			15,877.70	
6410	EQUIP (VEHICLES) REPAIRS & MAIN	10,081.51	.1	87,045.45	.1
6411	EQUIP - PARTS/INSIDE REPAIRS	2,974.45		41,991.44	
6412	EQUIP - TIRES/TRACKS	1,490.26		11,618.61	
6413	EQUIP - FUEL	12,690.49	.1	121,329.47	.1

USFG/BS 0157



6414	EQUIP - OIL/LUBE EXPENSE	3,265.20		19,455.48	
6415	EQUIPMENT - LEASE EXPENSE	2,912.96		8,738.89	
6425	EXPRESS MAIL	255.64		7,216.56	
6445	INSURANCE			31,791.65	
6465	LEGAL FEES	3,138.25		34,423.58	
6485	LICENSE FEES & MISC TAXES	211.00		16,617.46	
6505	MBE ADVERTISING				
6525	MOBILE TELEPHONE	1,934.66		17,539.16	
6545	OFFICE SUPPLIES & EXPENSE	5,025.11		94,844.87	.1
6560	PIPE FAB SUPPLIES & EXPENSES	169.87		8,050.07	
6565	POSTAGE			1,663.42	
6555	PROFESSIONAL SERVICES	5,459.56		32,000.88	
6605	RENT	18,015.28	.2	173,802.66	.2
6524	REPAIRS & MAINT - EQUIPMENT			1,512.50	
6625	REPAIRS & MAINT (OFFICE EQUIP)			4,859.29	
6635	SAFETY ITEMS EXPENSE	43.24		2,920.10	
6645	TELEPHONE EQUIPMENT			2.68	
6665	TELEPHONE USAGE	280.83		24,314.47	
6685	TEMPORARY HELP			1,783.40	
6705	TRADE JOURNALS AND BOOKS	277.33		9,837.38	
6710	TRAINING AND SEMINARS	1,219.00		8,796.45	
6715	TRAVEL - AIR	511.00		52,505.05	
6716	TRAVEL - CAR	30.72		1,094.81	
6717	TRAVEL - MEALS/ENTERTAINMENT	298.89		5,422.31	
6719	TRAVEL - MILEAGE	1,513.72		15,340.70	
6719	TRAVEL - MOTEL	1,046.59		22,292.15	
6725	UNIFORMS - EQUIP DEPT			688.30	
6730	UTILITIES - ELECTRIC	115.31		20,523.46	
6731	UTILITIES - GAS			4,675.10	
6733	UTILITIES - CLEANING	1,178.76		11,845.88	
6734	UTILITIES - MAINTENANCE			341.32	
6736	UTILITIES - SEWER & WATER	53.35		1,795.88	
6738	UTILITIES - TAXES & MISC	37.05		5,001.06	
6739	UTILITIES - TRASH			4,723.85	

6590	TOTAL ADMINISTRATIVE EXPENSE	198,950.37	2.9	2,297,857.96	3.6
6965	TOTAL OVERHEAD	364,987.24	5.4	4,726,914.68	7.6
7003	NET PRFT(LSS) B-4 OTHER INC/EXP	507,779.91	7.5	(1,831,041.72)	2.9

7005	**OTHER (INCOME)/EXPENSE**				
7030	DISCOUNTS TAKEN	(786.48)	(28,122.91)	
7100	CAPITAL (GAINS) LOSSES			2,452.61	
7105	INTEREST INCOME(OTHER)-TAXABLE	(383.81)	(8,954.66)	
7110	INTEREST EXPENSE	51,396.67	.7	441,216.92	.7
7120	INVESTMENT INCOME - NONTAXABLE				
7130	INVESTMENT INCOME - TAXABLE		(4,024.38)	
7200	MISCELLANEOUS INCOME	(1,072.83)	(12,388.52)	
7500	(GAIN)/LOSS ON SALE OF ASSETS			12,822.64	

7700	TOTAL OTHER (INCOME)/EXPENSE	49,153.55	.7	403,001.70	.6
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800	NET PROFIT (LOSS) BEFORE TAXES	(556,933.46)	8.2	(2,234,043.42)	3.5
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8000	NET PROFIT (LOSS) AFTER TAXES	(556,933.46)	8.2	(2,234,043.42)	3.5
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USFG/BS 0158

December - Break even on ops + overhead, but loss on sale (1,155) + int exp (46) = net for the year of (3.4 million).

01-ROE
 DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.
 BALANCE SHEET

PAGE :
 01-11-2000 11:26

1000	A S S E T S	
1002	*CURRENT ASSETS*	
1040	CASH & INVESTMENTS	(794,190.48)
1049	TOTAL CASH & INVESTMENTS	(794,190.48)
1050	ACCOUNTS RECEIVABLE:	
1100	ACCOUNTS RECEIVABLE	11,366,230.52
1110	A/R RETAINAGE	4,312,491.18
1120	A/R & A/P CLEARING ACCOUNT	1,753.51
1140	EMPLOYEE RECEIVABLE	654.61
1141	ACCOUNTS RECEIVABLE-ORTENZIO	279.75
1156	DUE FROM AFFILIATES	896.15
1157	TOTAL ACCOUNTS RECEIVABLE	15,682,305.72
1167	INVENTORY:	53,141.98
1168	INVENTORY	53,141.98
1192	OTHER CURRENT ASSETS	31,005.56
1193	COSTS & EARNINGS > BILLINGS	5,252,198.00
1195	TOTAL CURRENT ASSETS	20,224,460.78
1196	*LONG TERM ASSETS*	
1200	OFFICER LIFE INSURANCE POLICY	55,452.77
1205	NOTE RECEIVABLE - VEHICLE	24,621.53
1300	*FIXED ASSETS*	
1301	OFFICE FURNITURE AND FIXTURES	1,043,414.15
1302	MACHINERY AND EQUIPMENT	6,142,857.91
1303	AUTOS AND TRUCKS	1,438,504.34
1304	SMALL TOOLS	379,935.47
1305	SHOP/MECHANICAL EQUIPMENT	347,101.45
1390	TOTAL FIXED ASSETS	9,351,813.32
1400	ACCUMULATED DEPRECIATION/AMORT:	
1401	ACCUM DEPR - FURNITURE & FIXTURE	(702,332.46)
1402	ACCUM DEPR - MACH & EQUIP	(1,450,524.02)
1403	ACCUM DEPR - AUTO & TRUCK	(393,671.01)
1404	ACCUM DEPR - SMALL TOOLS	(186,562.61)
1405	ACCUM DEPR - SHOP/MECHANICAL	(152,189.00)
1423	TOTAL ACCUM DEPR/AMORT	(2,885,279.10)
1490	NET FIXED ASSETS	6,466,532
1999	TOTAL L T. Assets	6,546,608
	TOTAL A S S E T S	26,771,069.30

USFG/BS 0159

SL-R08

DATE: 11-30-1999

DJL ASSOCIATES

CCI CONSTRUCTION CO., INC.
BALANCE SHEET

FAX NO. 7174411605

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PAGE 2

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2000	L I A B I L I T I E S		
2005	CURRENT LIABILITIES		
2099	ACCOUNTS PAYABLE:		
2100	ACCOUNTS PAYABLE	916,522.81	
2101	SUBCONTRACTOR A/P	4,601,488.92	
2102	A/P RETAINAGE	3,393,956.07	

2129	TOTAL ACCOUNTS PAYABLE		8,911,967.80
2295	ACCRUED PAYROLL TAXES		90,572.56
2300	DIRECT DEPOSIT	.08	
2425	OTHER CURRENT LIABILITIES		448,583.04
2431	NOTE PAYABLE - ALLFIRST LINE	1,200,000.00	
2450	NOTES PAYABLE-CURRENT		4,014,141.37
2480	BILLINGS > COSTS & EARNINGS		5,849,270.00

2490	TOTAL CURRENT LIABILITIES		20,514,534.85
2870	NOTES PAYABLE-LONG TERM		3,370,527.26

2990	TOTAL L I A B I L I T I E S		23,885,062.11
3000	E Q U I T Y		
3110	CAPITAL SURPLUS	9,797.00	
3200	RETAINED EARNINGS	286,513.75	
3210	RETAINED EARNINGS SUB-S CORP	4,343,092.86	
3275	OTHER ACCUMULATED ADJUSTMENTS	480,647.00	
3300	CURRENT YEAR EARNINGS	(2,234,043.42)	

3800	TOTAL E Q U I T Y		2,886,007.19

3900	TOTAL LIABILITIES AND EQUITY		26,771,069.30
			=====

USFG/BS 0160

SI-RC3

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 1

P. 10

PAGE 3
01-11-2000 11:06

1003	CASH:	
1010	CASH - DAUPHIN CHECKING	(803,842.13)
1011	CASH - DAUPHIN PAYROLL	(26,138.80)
1013	CASH - FLEX REIMBURSEMENT ACCT	1,490.45
1016	INVESTMENT IN EPIC	3,000.00
1017	INVESTMENT IN RAFFLES	31,000.00
1022	PETTY CASH	300.00

1040	CASH & INVESTMENTS	(794,190.48)

USFG/BS 0161

FEB-02-00 WED 01:40 PM

DJL ASSOCIATES

FAX NO. 7174411605

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GL-308

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.

BALANCE SHEET - SCHEDULE 2

PAGE

01-11-2000 11:06

1158

INVENTORY:

1160

SHEET METAL SHOP INVENTORY

43,767.50

1161

PIPE SHOP INVENTORY

1,029.78

1165

FUEL INVENTORY

2,344.70

1167

INVENTORY:

53,141.98

USFG/BS 0162

GL-RC9

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 3

PAGE 3
01-11-2000 11:06

1150	DUE FROM AFFILIATES	
1153	DUE TO/FROM CUSTODIAL	425.53
1154	DUE TO/FROM RELIANCE	470.62
1156	DUE FROM AFFILIATES	896.15

USFG/BS 0163

GI-R08

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.

BALANCE SHEET - SCHEDULE 6

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PAGE 5

01-11-2000 11:56

1169	CURRENT ASSETS:		
1175	PREPAID RENT	2,015.28	
1176	SECURITY DEPOSIT - CALIFORNIA	2,015.28	
1185	PREPAID TAXES	25,100.00	
1190	PREPAID GENERAL EXPENSES	1,875.00	
1190	OTHER CURRENT ASSETS		31,901.71

USFG/BS 0164

FEB-02-00 WED 01:40 PM

DJI ASSOCIATES

Case 1:01-cv-00813-CCC Document 151-2

Filed 11/12/2003 FAX NO. 7174411605

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SL-308

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 50

PAGE

01-11-2000 11:03

1130	ACCURED PAYROLL TAXES:	
1200	ACCURED FED W/H	30,078.91
2210	ACCURED FICA W/H	28,326.85
2220	ACCURED FUTA	2,680.92
2223	ACCURED STATE W/H - CAL	4,522.77
2223	ACCURED SUTA - PA	12,102.41
2241	ACCURED SUTA - W VA.	2,787.80
2243	ACCURED STATE W/H - WEST VA	3,467.91
2243	ACCURED SUTA - MD	1,696.98
2250	ACCURED SUTA - MO	131.27
2251	ACCURED STATE W/H - MO	1,111.00
2256	ACCURED SUTA - OHIO	382.08
2258	ACCURED STATE W/H - OHIO	398.75
2276	ACCURED SUTA - VA	1,627.12
2282	ACCURED SUTA - IL	1,257.79
1235	ACCURED PAYROLL TAXES	90,572.56

USFG/BS 0165

FEB-02-00 WED 01:41 PM DJL ASSOCIATES

FAX NO. 7174411605

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GL-208

DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.

BALANCE SHEET - SCHEDULE 60

PAGE 3

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1236	OTHER CURRENT LIABILITIES	
1237	ACCRUED WORKERS COMP	312,804.08
1238	ACCRUED CAFETERIA DEDUCTIONS	(44,648.56)
1239	ACCRUED PAYROLL	140,958.50
1240	ACCRUED UNION FRINGE PAYABLE	(.03)
1241	ACCRUED 401(K) PLAN	10,169.05
1242	ACCRUED ACCOUNTING FEES	29,300.00
1243	OTHER CURRENT LIABILITIES	448,583.04

USFG/BS 0166

GL-308
DATE: 11-30-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 70

PAGE 3
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2400	NOTE PAYABLE-CAT EQUIPMENT	720,703.23
2403	NOTE PAYABLE-CIT	341,126.38
2425	NOTE PAYABLE-DAUPHIN EQUIPMEN	377,812.62
2430	NOTE PAYABLE-LINE OF CREDIT	2,570,994.96
2435	NOTE PAYABLE-MISCELLANEOUS	3,504.18
2450	NOTES PAYABLE-CURRENT	4,014,141.37

USFG/BS 0167

FEB-02-00 WED 01:41 PM

DJL ASSOCIATES

FAX NO. 7174411605

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CCI CONSTRUCTION CO., INC.

PAGE 10

DATE: 11-30-1999

BALANCE SHEET - SCHEDULE 80

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1999	LONG TERM N/P-CAT	1,087,382.34
1999	LONG TERM N/P-CIT	856,387.03
1999	LONG TERM N/P-DAUPHIN EQUIPMENT	1,410,292.44
1999	LONG TERM N/P-MISCELLANEOUS	16,465.45
1999	NOTES PAYABLE-LONG TERM	3,370,527.26



USFG/BS 0168



EXHIBIT C

The **St Paul**

Facsimile Cover Sheet

To: Mike Walter
Company: St. Paul Surety-Baltimore Surety Region
Phone: 410-578-2020
Facsimile: 410-578-2134

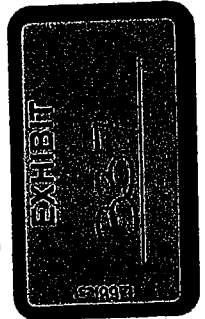
From: Tony Phillips
Company: St. Paul Surety
Address: 2605 Interstate Drive, Suite 200
Harrisburg, PA 17110
Phone: 717-671-7420
Facsimile: 717-671-7402

Date: 02/17/00
of Pages: 15 (including this cover page)

Comments: CCI Construction 12/31/99 in-house financial statement/WIP

USFG/BS 1010

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02-17-2000 08:38AM FROM USF&G HARRISBURG

U TO

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P.02

02-17-2000 08:38AM FROM USF&G HARRISBURG

CRA NO. 1174411005

P. 02

30-326

For the 12 months ending 12-31-1999

CCI CONSTRUCTION CO., INC.
INCOME STATEMENT

COMBINED

PAGE 1
02-12-2000 23:18

GL ACCOUNT #

CURRENT

YEAR-TO-DATE

GL ACCOUNT #	DESCRIPTION	CURRENT	YEAR-TO-DATE
4100	REVENUE - OF COMPLETED CONTR	241,497.00	100.0
4105	REVENUE - SHEET METAL SHOP		70,570,779.72
4150	REVENUE - EQUIPMENT DIVISION		43,403.81
4100	REVENUE - CONSTRUCTION MGMT		8,159.25
4990	TOTAL INCOME	(241,497.00)	100.0
5000	DIRECT COSTS		
5020	DIRECT COST - LABOR		11,509,497.51
5024	DIRECT COST - FICA EMPLOYER		874,410.46
5025	DIRECT COST - FUTA EXPENSE		26,258.32
5026	DIRECT COST - SUTA EXPENSE		162,558.05
5027	DIRECT COST - WORK COMP EXPENSE	115,726.00	47.9
5028	DIRECT COST - LIABILITY INS EXP		372,709.54
5029	DIRECT COST - UNION FRINGE EXP		32,953.59
5030	DIRECT COST - EQUIPMENT		337,194.16
5040	DIRECT COST - RENTED EQUIPMENT		228,896.60
5050	DIRECT COST - MATERIAL		2,562,567.43
5060	DIRECT COST - SUBCONTRACTORS		12,224,331.44
5070	DIRECT COST - OTHER	54,530.00	22.7
5990	TOTAL JOB-RELATED COST	(60,796.00)	25.1
5990	GROSS PROFIT	(180,701.00)	74.8
6000	OVERHEAD		
6020	SALARY EXPENSE		
6040	SALARIES		1,855,579.84
6045	OFFICERS' SALARIES		373,828.53
6046	TOOL MANAGER SALARIES		24,953.50
6060	BLUE CROSS/BLUE SHIELD		140,637.33
6080	PAYROLL BURDEN	733.94	3
6100			211,179.57
6110	TOTAL SALARY EXPENSE	733.94	3
6120	ADMINISTRATIVE EXPENSE		
6125	ACCOUNTING FEES		31,700.00
6140	ADVERTISING		269.03
6160	ALPHA MEMBERSHIP		3,120.00
6200	BANK CHARGES		8,003.01
6220	BLUEPRINTS AND PLANS		(670.39)
6260	GO SPONSORED ACTIVITIES		1,392.90
6280	COMPUTER EXPENSE		15,949.04
6300	CONTRIBUTIONS		2,420.00
6340	DEPRECIATION		1,395,927.14
6360	DOCK REPORTS		19,845.45
6380	DRUG TESTING		1,220.00
6380	DUES AND PERMITS		8,002.33
6400	EMPLOYEE RECRUITMENT		15,877.70
6410	EQUIP (VEHICLES) REPAIRS & MAINT		94,072.66
6411	EQUIP - PARTS/INSIDE REPAIRS		47,671.05
6412	EQUIP - TIRES/TRACKS		17,176.87
6413	EQUIP - FUEL	12,312.69	5.0
6414	EQUIP - OIL/LUBE EXPENSE		159,329.33
			21,120.38

USFG/BS 1011

02-17-2000 08:38AM FROM USF&G HARRISBURG

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914105782134

P.03

6125	EQUIPMENT - LEASE EXPENSE			8,738.89	
6126	EQUIP - SALE EXPENSE			2,083.92	
6125	EXPRESS MAIL			7,554.24	
6145	INSURANCE			41,539.12	
6165	LEGAL FEES			38,914.88	
6185	LICENSE FEES & MISC TAXES			16,662.46	
6525	MOBILE TELEPHONE			21,694.61	
6545	OFFICE SUPPLIES & EXPENSE	7,203.13	2.9	109,457.48	.1
6560	PIPE FEE SUPPLIES & EXPENSES			8,171.48	
6585	POSTAGE			2,153.07	
6595	PROFESSIONAL SERVICES			33,692.38	
6625	RENT			191,817.94	.2
6624	REPAIRS & MAINT - EQUIPMENT			1,512.50	
6625	REPAIRS & MAINT (OFFICE EQUIP)			5,389.03	
6635	SAFETY ITEMS EXPENSE			2,977.60	
6645	TELEPHONE EQUIPMENT			2.68	
6665	TELEPHONE USAGE			26,688.32	
6685	TEMPORARY HELP			1,783.40	
6705	TRADE JOURNALS AND BOOKS			11,905.66	
6710	TRAINING AND SEMINARS			9,474.45	
6715	TRAVEL - AIR			52,698.05	
6716	TRAVEL - CAR			1,094.91	
6717	TRAVEL - MEALS/ENTERTAINMENT			5,726.61	
6718	TRAVEL - MILEAGE			17,322.45	
6719	TRAVEL - HOTEL			24,034.55	
6726	UNIFORMS - EQUIP DEPT			1,385.75	
6730	UTILITIES - ELECTRIC			24,270.93	
6731	UTILITIES - GAS			7,494.55	
6732	UTILITIES - CLEANING			11,845.88	
6733	UTILITIES - MAINTENANCE			341.32	
6736	UTILITIES - SEWER & WATER			2,082.20	
6738	UTILITIES - TAXES & MISC			5,001.06	
6739	UTILITIES - TRASH			5,486.78	
6890	TOTAL ADMINISTRATIVE EXPENSE	19,515.82	8.0	2,543,424.95	3.6
6965	TOTAL OVERHEAD	20,249.76	8.3	5,184,901.11	7.3
7008	NET PROFIT (LOSS) B-4 OTHER INC/EXP	200,950.76	83.2	4,543,111.44	6.4
7009	OTHER (INCOME)/EXPENSE				
7030	DISCOUNTS TAKEN			(28,252.34)	
7109	CAPITAL (GAINS) LOSSES			2,452.61	
7129	INTEREST INCOME (OTHER) - TAXABLE			(8,977.83)	
7130	INTEREST EXPENSE	8,340.18	3.4	463,297.28	.6
7200	INVESTMENT INCOME - TAXABLE			(4,024.38)	
7500	MISC LANGUAG INCOME	(345.65)	.1	20,374.40	
	(GAIN)/LOSS ON SALE OF ASSETS			1,168,581.10	1.6
7700	TOTAL OTHER (INCOME)/EXPENSE	7,994.53	3.3	1,572,702.04	2.2
7500	NET PROFIT (LOSS) BEFORE TAXES	208,945.29	86.5	6,115,813.48	8.6
7500	NET PROFIT (LOSS) AFTER TAXES	208,945.29	86.5	6,115,813.48	8.6

USFG/BS 1012

02-17-2000 08:39AM FROM USF&G HARRISBURG

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FMA NO. 1114411000

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CCI CONSTRUCTION CO., INC.

PAGE 3

DATE: 12-00-1999

BALANCE SHEET

02-12-2000 23:11

1000	A S S E T S		
1002	*CURRENT ASSETS*		
1040	CASH & INVESTMENTS	(594,857.26)	
1049	TOTAL CASH & INVESTMENTS	(594,857.26)	
1050	ACCOUNTS RECEIVABLE:		
1100	ACCOUNTS RECEIVABLE	12,230,911.30	
1110	A/R RETAINAGE	4,903,477.69	
1140	EMPLOYEE RECEIVABLE	1,978.68	
1141	ACCOUNTS RECEIVABLE-ORTENIZO	181.83	
1156	DUE FROM AFFILIATES	2,197.66	
1157	TOTAL ACCOUNTS RECEIVABLE	17,138,748.16	
1167	INVENTORY:	54,384.97	
1168	INVENTORY	54,384.97	
1192	OTHER CURRENT ASSETS	38,354.36	
1193	COSTS & EARNINGS > BILLINGS	4,158,685.00	
1185	TOTAL CURRENT ASSETS	20,795,315.23	
1196	*LONG TERM ASSETS*		
1200	OFFICER LIFE INSURANCE POLICY	62,094.00	
1205	NOTE RECEIVABLE - VEHICLE	24,621.53	
1300	*FIXED ASSETS*		
1301	OFFICE FURNITURE AND FIXTURES	1,040,346.51	
1307	MACHINERY AND EQUIPMENT	1,181,976.51	
1303	AUTOS AND TRUCKS	1,153,516.12	
1304	SMALL TOOLS	317,193.27	
1305	SHOP/MECHANICAL EQUIPMENT	347,101.45	
1390	TOTAL FIXED ASSETS	4,126,849.39	
1400	ACCUMULATED DEPRECIATION/AMORT:		
1401	ACCUM DEPR - FURNITURE & FIXTURE	(716,766.60)	
1402	ACCUM DEPR - MACH & EQUIP	(396,493.16)	
1403	ACCUM DEPR - AUTO & TRUCK	(341,643.25)	
1404	ACCUM DEPR - SMALL TOOLS	(162,519.74)	
1405	ACCUM DEPR - SHOP/MECHANICAL	(160,079.00)	
1488	TOTAL ACCUM DEPR/AMORT	(1,777,501.75)	
1490	NET FIXED ASSETS	2,349,347.64	
1999	TOTAL A S S E T S	23,144,662.87	

USFG/BS 1013

02-17-2000 08:39AM FROM USF&G HARRISBURG U TO 914105782134 P.05
 12-17-00 (M) 11:11 AM DUE INVOICES PER NO. 117711003

SL-RC9

DATE: 11-00-1999

CCI CONSTRUCTION CO., INC.
 BALANCE SHEET

PAGE 2
 02-12-2000 23:11

2000	LIABILITIES		
2065	CURRENT LIABILITIES		
2059	ACCOUNTS PAYABLE:		
2103	ACCOUNTS PAYABLE	2,951,006.31	
2101	SUBCONTRACTOR A/P	6,130,086.78	
2102	A/P RETAINAGE	3,764,423.64	
7120	TOTAL ACCOUNTS PAYABLE		12,845,516.73
2295	ACCRUED PAYROLL TAXES		202,668.00
2405	OTHER CURRENT LIABILITIES		320,629.67
2431	NOTE PAYABLE-ALL FIRST LINE OF	1,200,000.00	
2450	NOTES PAYABLE-CURRENT		3,782,351.64
2486	BILLINGS > COSTS & EARNINGS		4,402,180.00
2490	TOTAL CURRENT LIABILITIES		22,753,346.04
2710	NOTES PAYABLE-LONG TERM		1,367,079.70
2990	TOTAL LIABILITIES		24,140,425.74
3000	EQUITY		
3110	CAPITAL SURPLUS	9,797.00	
3200	RETAINED EARNINGS	286,513.75	
3210	RETAINED EARNINGS SUB-S CORP	4,343,092.86	
3275	OTHER ACCUMULATED ADJUSTMENTS	480,647.00	
3300	CURRENT YEAR EARNINGS	(6,115,813.49)	
3600	TOTAL EQUITY		(995,762.87)
3900	TOTAL LIABILITIES AND EQUITY		<u>23,144,662.87</u>

USFG/BS 1014

02-17-2000 08:40AM FROM USF&G HARRISBURG

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GG-R08

DATE: 12-00-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 1PAGE 3
02-12-2000 23:11

1003	CASH:		
1010	CASH - DAUPHIN CHECKING	(573,734.41)
1011	CASH - DAUPHIN PAYROLL	(55,522.85)
1013	CASH - FLEX REIMBURSEMENT ACCT		100.00
1016	INVESTMENT IN EPIC		3,000.00
1017	INVESTMENT IN RAFFLES		31,000.00
1020	PETTY CASH		300.00
1040	CASH & INVESTMENTS	(594,857.26)

USFG/BS 1015

02-17-2000 08:40AM FROM USF&G HARRISBURG U TO 914105782134 P.07
 FEB-14-00 MON 11:12 AM DJL MSS0011003 FMA NO. 1114411003 P. 07

GL-R08

DATE: 13-00-1999

CCI CONSTRUCTION CO., INC.
 BALANCE SHEET - SCHEDULE 2

PAGE 4
 02-12-2000 23:11

158

160

167

INVENTORY:

SHEET METAL SHOP INVENTORY

54,384.97

INVENTORY:

54,384.97

USFG/BS 1016

02-17-2000 08:40AM FROM USF&G HARRISBURG U TO 914105782134 P.08
 FEB-14-00 MON 11:12 AM DUE ASSOCIATES FOR NO. 1114411000 1.00

GL-R08

DATE: 13-06-1999

CCI CONSTRUCTION CO., INC.
 BALANCE SHEET - SCHEDULE 3

PAGE 5
 02-12-2000 21:11

1150	DUE FROM AFFILIATES	
1153	DUE TO/FROM CUSTODIAL	376.20
1154	DUE TO/FROM RELIANCE	(45.64)
1155	DUE TO/FROM MECH LAND CO	1,867.10
1156	DUE FROM AFFILIATES	2,197.66

USFG/BS 1017

02-17-2000 08:41AM FROM USFG HARRISBURG

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914105782134

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F. US

GL-R08

DATE: 11-00-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 6PAGE 6
02-12-2000 23:11

1169	CURRENT ASSETS:	
1175	PREPAID RENT	2,015.28
1176	SECURITY DEPOSIT - CALIFORNIA	2,015.28
1185	PREPAID TAXES	25,100.00
1190	PREPAID GENERAL EXPENSES	9,223.80
1192	OTHER CURRENT ASSETS	40,552.02

USFG/BS 1018

02-17-2000 08:41AM FROM USF&G HARRISBURG

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SE-R08

DATE: 12-00-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 50PAGE
02-12-2000 23:11

2200	ACCUMULATED PAYROLL TAXES:	
2210	ACCUMULATED FEO W/H	57,394.00
2220	ACCUMULATED FICA W/H	53,592.89
2222	ACCUMULATED FUTA	4,877.66
2223	ACCUMULATED SUTA - CAL	196.51
2225	ACCUMULATED STATE W/H - CAL	6,607.92
2226	ACCUMULATED STATE W/H - PA	2,570.83
2227	ACCUMULATED LOCAL W/H - PA	4,817.40
2228	ACCUMULATED OPT W/H - PA	1,110.00
2232	ACCUMULATED SUTA - PA	21,787.09
2241	ACCUMULATED STATE W/H - DEL	36.47
2243	ACCUMULATED SUTA - W VA.	4,911.32
2248	ACCUMULATED STATE W/H - WEST VA	5,547.10
2249	ACCUMULATED SUTA - MD	3,071.83
2250	ACCUMULATED STATE W/H - MD	9,728.80
2251	ACCUMULATED SUTA - MO	161.13
2256	ACCUMULATED STATE W/H - MO	1,341.00
2258	ACCUMULATED SUTA - OHIO	520.00
2259	ACCUMULATED STATE W/H - OHIO	485.40
2266	ACCUMULATED STATE W/H - VA	14,773.69
2291	ACCUMULATED SUTA - VA	3,282.40
2292	ACCUMULATED STATE W/H - ILLINOIS	3,130.65
	ACCUMULATED SUTA - IL	2,723.91

2295	ACCUMULATED PAYROLL TAXES	202,659.00
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USFG/BS 1019

02-17-2000 08:41AM FROM USF&G HARRISBURG

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FEB 14 00 PM '00 DVL ASSOCIATES

FNA NO. 11441000

1. 11

GL-200

DATE: 12-00-1999

CCT CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 60

PAGE 6

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2296	OTHER CURRENT LIABILITIES	
2301	ACCUMULATED WORKERS COMP	190,594.18
2307	ACCUMULATED EMPLOYEE DEDUCTIONS	(40,624.70)
2310	ACCUMULATED PAYROLL	130,079.77
2311	ACCUMULATED UNION FRINGE PAYABLE	186.85
2313	ACCUMULATED FRINGE FUND ACCOUNT	6,079.45
2315	ACCUMULATED 401(K) PLAN	2,414.12
2329	ACCUMULATED ACCOUNTING FEES	31,900.00
2415	OTHER CURRENT LIABILITIES	320,629.67

USFG/BS 1020

02-17-2000 08:42AM FROM USF&G HARRISBURG

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GL-RC8

DATE: 13-00-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 70

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02-12-2000 23.11

2420	NOTE PAYABLE-CAT EQUIPMENT	53,065.32
2423	NOTE PAYABLE-CIT	145,972.70
2425	NOTE PAYABLE-ALLFIRST EQUIPMN	286,049.17
2430	NOTE PAYABLE-LINE OF CREDIT	3,292,551.45
2435	NOTE PAYABLE-MISCELLANEOUS	4,713.00
2450	NOTES PAYABLE-CURRENT	3,782,351.64

USFG/BS 1021

02-17-2000 08:42AM FROM USF&G HARRISBURG

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DATE: 13-00-1999

CCI CONSTRUCTION CO., INC.
BALANCE SHEET - SCHEDULE 80PAGE 10
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2820	LONG TERM N/P-CAT	144,827.52
2823	LONG TERM N/P-CIT	253,805.53
2825	LONG TERM N/P-ALLFIRST EQUIPMENT	973,570.50
2835	LONG TERM N/P-MISCELLANEOUS	14,876.15
2870	NOTES PAYABLE-LONG TERM	1,387,079.70

USFG/BS 1022

02-17-2000 08:42AM FROM USFG HARRISBURG

U TO 914105782134 P.14

CCI CONSTRUCTION CO., INC.
WORK IN PROCESS
December 99

A	B	C	E+D	E	F	H	I	J	K	L+M
JOB NUMBER	DESCRIPTION	CONTRACT AMOUNT	TOTAL COST WHEN COMPLETE	ACTUAL COST TO DATE	ESTIMATED COST TO COMPLETE	(E/D) % OF COMPLETION	INCOME EARNED TO DATE	RELIED TO DATE	OVER- (UNDER) BILLING	PROJECTED GROSS PROFIT AMOUNT
4500	ALBEMARLE PRIS.	14,582,917	15,544,471	12,681,811	2,862,660	81.58%	11,897,335	12014311	17,575	1361,561
4800	AQUA-WATER-NINES	191,083	183,515	1,982	153,939	1.15%	2283	0	(2,283)	25,169
4700	COCA & COLD RIVER	12,319,059	11,692,515	1,109,267	10,583,248	9.45%	1,168,211	1,286,334	672,622	825,904
4600	EPHRAIM	4,060,421	3,978,939	3,214,467	564,462	85.06%	3,453,892	3,953,873	499,980	281,482
46500	GERMANTOWN CITY	16,155,581	15,922,042	9,890,990	6,071,432	61.87%	9,955,934	10,065,998	60,844	233,369
45100	JAMES RIVER	7,242,081	7,434,677	3,638,620	3,801,057	48.87%	3,338,491	4,691,832	352,246	1,923,346
46100	LORD FAIRFAX	7,239,748	7,984,882	7,963,660	21,222	99.73%	7,211,522	7,220,177	8,685	(754,242)
46200	OUTLOOK-WESTERVILLE	4,115,005	4,061,453	3,940,304	121,249	97.01%	3,992,219	4,053,770	61,551	93,512
45200	PA TURNPIKE	5,767,995	5,679,439	3,601,849	2,077,591	63.42%	3,658,010	3,667,008	8,998	48,556
47300	PA TURNPIKE-MOIST RD	22,364,223	21,139,451	1,808,719	19,330,733	8.56%	1,930,624	2,155,875	225,251	1,424,772
45500	PERRY POINT	1,767,688	1,666,842	1,291,026	375,815	77.45%	1,369,135	1,442,347	73,212	100,845
47000	SR II PERRY CNTY	12,993,654	12,013,954	11,214,162	799,792	93.34%	12,134,292	12,592,012	457,770	985,700
47500	SR II CALKERSVILLE	4,369,802	4,504,792	3,960,387	544,405	87.91%	3,824,127	3,797,551	(26,576)	154,950
45900	SCOTT A. F. BASE	808,337	874,936	728,198	146,739	83.23%	722,705	865,540	142,835	(6,600)
47600	SUMMERDALE	19,772,016	18,579,483	18,700,567	278,916	98.53%	19,481,453	15,332,896	(4,140,557)	792,532
46600	YOU LIFE SCIENCE	1,942,371	1,867,273	1,717,438	149,834	91.58%	1,785,511	1,918,674	132,164	75,098
		22,092,607	20,064,978	6,676,194	14,388,784	32.00%	7,062,601	8,227,921	1,164,320	1,207,829
		158,083,679	156,176,113	92,084,231	62,081,882		93,229,955	93,176,063	(53,892)	3,423,666

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CCI-CONSTRUCTION MANAGEMENT WORK-IN-PROCESS

SUMMARY	CCI	ADJUSTMENT FOR LOSS JOBS	SUMMARY
S & E EARNINGS-BILLINGS	(4,177,415)	18,731	(4,158,685)
LESS-COSTS & EARNINGS	4,123,523	278,657	4,402,180
OVER (UNDER) BILLING			244,495
ADJ FOR LOSS JOBS			244,495
			224,765

JOB NUMBER	DESCRIPTION	TOTAL BILLED	TOTAL COSTS	TOTAL PROFIT
43500	BIENVILLE FAC	41,779	15,302	22,427
45300	PA TURNPIKE COMMISSION	225,834	78,704	146,130
	CONSTRUCTION MGMT DIVISION TOTAL:	267,613	94,006	170,568

USFG/BS 1023

2/12/00 4:37 PM

DEC 99 WIP - AUDIT.JS

EXHIBIT D

strategic plan as to how they planned to continue operations in the future.

Q. Was there additional information that was requested of CCI, information of a financial nature, sir?

A. I'm sorry, say that again.

Q. Was there additional information of a financial nature that was requested from CCI by USF & G

A. Yes.

Q. And directing your attention, please, to Exhibits 326 and 327?

A. Yes.

Q. Can you identify those two exhibits, sir?

A. 326 is an interim financial statement for eleven months ending November 30, 1999. It's an in-house statement from CCI.

Q. And these were located in the underwriting files of USF & G?

A. Yes.

Q. This is information that is submitted by CCI to USF & G as part of its standard practice of obtaining interim financial information from its accounts?

A. Yes.

Q. And this information is maintained by USF & G as a regular business practice?

A. Yes.

Q. And this is information prepared by CCI, correct?

A. Yes.

Q. Does this information indicate the financial health of CCI at the points in time reflected on these two exhibits, 326 and 327?

A. Well, it shows they're losing \$2,230,000.

MR. MCCARRON: Objection. Unresponsive to the question. Let me just assert an objection here, Your Honor. We agreed both with respect to authenticity of the underwriting file to the extent that we agreed that the documents contained in the underwriting file were the documents which were maintained by USF & G in the underwriting file. However, with respect to this document in particular, we do not agree that it's admitted for any other purpose or that it should be allowed to be introduced for any other purpose other than the mere fact it is included in the underwriting file. We don't dispute that it was included in that underwriting file.

THE COURT: And your evidentiary point is what, that it's not admissible on what grounds?

MR. MCCARRON: Because it's otherwise hearsay, someone else's record. It's not, it's interim financial information received by CCI to which this witness can't verify or confirm or authenticate.

THE COURT: That's where I thought you were headed. I just needed you to state it for the record. Mr. McGlynn, I'm inclined to

agree with Mr. McCarron, and I'm not sure that you can sponsor this exhibit through this witness.

MR. MCGLYNN: If I may, Your Honor, there is a third party records rule that is recognized by the Federal Rules of Evidence, and in this particular instance so long as we can lay the appropriate foundation that this information was gathered as part of a regular base, course of business of USF & G, which Mr. Daily testified it was, that this material was routinely submitted to USF & G as part of the business practice that it had of getting this information from his bonding accounts, including CCI, and quite frankly I think there could be a strong argument that Mr. McCarron's objection is waived because he has not -- he certainly can still object to the admissibility, but he's never raised this objection with respect to numerous other similar interim financial information that this witness has testified to over the course of five or six hours. So our contention, and I do have a memorandum, if I may approach, that deals with this.

(Brief pause.)

THE COURT: I'm reviewing your memorandum on the admissibility of third party records as business records under Rule 8036, and it indicates that the foundational elements are threefold. The entity must regularly incorporate the third party records into its own records kept in the regular course of business activity. I think

that's been established.

Number two, the entity must rely on the accuracy of the third party records. I think that there is sufficient testimony on the record that USF & G relied on the accuracy of records submitted to it, particularly the financial records submitted to it, and number three, the witness must be able to vouch for the accuracy of the third party records, and that I thought was the part that Mr. McCarron was focused on and that's the part I was most concerned about, can this witness vouch for the accuracy of the third party records, does he have the ability to do that.

MR. MCGLYNN: Well, with the court's permission I can lay that foundation, and this is not, this is consistent with the foundation that has been laid with respect to other similar records where Mr. Daily has indicated that they got this interim information for years, that it was used and compared with the audit reports both before and after the interim financial statements. There was never a time when anything they received from CCI turned out to be unreliable or incorrect. So quite simply I was going to lay the foundation as to the reasons for this information coming in and they had no reason to not rely on it based upon the prior history of this relationship.

THE COURT: Mr. McCarron, did I misstate the nature of your

objection?

MR. MCCARRON: No.

THE COURT: You're concerned about the third element?

MR. MCCARRON: Yes.

THE COURT: Why don't you --

MR. MCCARRON: Let's say, Your Honor, I don't necessarily agree that the first test has been -- I'm sorry, the second, first test, first item has been satisfied simply to the extent that this is not for instance a medical bill that depends on a doctor submitted invoice correctly and he therefore can testify that it was incorporated for their own records. The second one I agree they did rely on, but it's mainly the third one that he can't substantiate the accuracy of and

I must say that concerning the nature of this case, if they're willing to say that interim information or any information received from CCI was accurate was this one audit and all the prior ones there wouldn't be, this case wouldn't be here. So it goes right to the heart of the matter.

THE COURT: Well, I'm going to allow Mr. McGlynn to establish a foundation regarding the witness's ability to vouch for the accuracy of the third party records. I do believe that the first element is established. I do believe that USF & G regularly incorporated financial information of CCI into its underwriting files and

certainly took them into consideration when deciding whether to continue the bonding program. So I believe the first two elements exist, and I'll allow you to ask further questions on the third element.

MR. MCGLYNN: Thank you, Your Honor.

BY MR. MCGLYNN:

Q. Mr. Daily, directing your attention to Exhibit 335?

A. 335?

Q. Yes, sir.

A. Yes.

Q. In that letter Mr. Salazar is requesting certain financial information from CCI, correct?

A. Correct.

Q. And did you ever see a 12-31-1999 audited financial statement for CCI?

A. No.

Q. The other, the information that Mr. Salazar is looking for is designed to elicit how this company is going to fare at the end of 1999, correct?

A. Yes.

Q. Was the information that, financial information which is shown on exhibit --

THE COURT: Excuse me.

Q. -- Exhibit 326 and 326 --

THE COURT: Excuse me, I'm having technical difficulties.

MR. MCGLYNN: All right. Is this a good time to take a break,
Your Honor?

THE COURT: It is. I'm having problems with my realtime.
Let's take our afternoon break and reconvene at twenty of 3:00.

MR. MCGLYNN: Thank you.

THE COURT: We're in recess until twenty of 3:00. You may step
down, Mr. Daily, and stretch your legs.

(Recess taken at 2:26 p.m. Testimony resumed at 2:40 p.m.)

THE COURT: Thank you. Please be seated. Mr. McGlynn, you may
continue.

BY MR. MCGLYNN:

Q. Thank you, Your Honor. I hope your technical glitch has been
resolved. Mr. Daily,
I direct your attention to Exhibits 326 and 337, please.

A. All right. I have 326, and --

Q. 337.

A. 337?

Q. 326. What is this, sir?

A. This is a November 30, 1999 interim in-house 11-month statement
for CCI Construction Company, Incorporated.

Q. And this bears a fax transmission date up at the top, does it

not?

A. Yes.

Q. And it's February 2, 2000?

A. Correct.

Q. And can you identify the document that is premarked Exhibit 337?

A. That's a fax transmittal from Tony Phillips to Mike Walter of the same information.

Q. Are you sure it's the same information, sir?

A. Well, no, it's not.

Q. Do you know what period this financial statement was forming part of 337 addresses, sir?

A. Well, it says it's for the thirteen months ending 13001999.

Q. You have seen this information before, sir?

A. I don't remember.

Q. Was this information taken out of the underwriting files of USF & G home office?

THE COURT: I don't know how he could testify to that if he hasn't seen it before or doesn't recall seeing it before.

Q. Mike Walter was your boss, sir?

A. Yes.

Q. Where was Mike Walter located?

A. In Baltimore.

Q. In fact, he sat quite close to your office.

A. Right next to me, yes.

Q. And you saw this in the Baltimore office, sir, this document?

MR. MCCARRON: Objection.

A. Yes.

Q. And did you have any discussions with Mike Walter or Tony Phillips about this document, sir?

A. I don't think so.

Q. Do you know whether or not this particular document was located in the files of USF & G underwriting in Baltimore, sir?

A. It would have been.

Q. Sir, are you aware of the circumstances under which this information reflected in Exhibit 326 and 337 came into USF & G?

A. Yes.

Q. Can you please tell the court what those circumstances were?

A. We had asked for more current information. CCI wanted additional bonding and we were looking for information to see whether or not we wanted to do that.

Q. CCI was no longer bonded -- strike that. CCI had not issued -- strike that. USF & G had not issued bonds for CCI since September of 1999, sir?

A. Correct.

Q. And what was it that CCI wanted to do?

A. Well, they wanted to continue the relationship. I don't think there's no indication that we had discussed any numbers as to job size work program at this point. We wanted to see the information first

Q. And the information that you wanted to see, is that reflected in 326 and 337?

A. Yes.

Q. And is this information that is of the type of information that USF & G regularly requested of among others CCI?

A. Yes.

Q. And is this the type of interim information that you've talked about during today's and yesterday's proceedings, sir?

A. Yes.

Q. Up until -- strike that. As of this date, and the date I'm referring to is in Mr. Walter's memorandum, February 17, 2000, had you, the information that you had previously received from CCI of a financial nature since the inception of the relationship, had there been any reason to doubt the accuracy of that information?

A. No.

Q. Had the representations concerning CCI's financial condition given to USF & G during the period of the bonding relationship, had any of that up until this point proven to be inaccurate, sir?

A. No.

MR. MCCARRON: Objection. At what point?

Q. I believe I said during the inception, from the inception up until this point. If I was unclear, Your Honor, I'll restate it.

THE COURT: Why don't you just indicate up to what point by month and year.

Q. Thank you, Your Honor. Mr. Daily, had the information concerning the CCI's financial condition as given to you by CCI, the inception of the relationship up until February 2000, proved to be inaccurate

A. Beg your pardon?

Q. I'll rephrase. From the inception of the bonding relationship up to February of 2000 had the financial information that you had been provided by CCI shown to be inaccurate?

A. No.

Q. What if any reliance was USF & G placing on the information reflected in 326 and 327 as part of the consideration to restart CCI's bonding program?

THE COURT: I think you meant to say 337. You said 327.

Q. I'm sorry, sir. I may be getting a little tired. 337, sir. 326 and 337.

A. We were looking for the information to support our consideration of further of surety credit.

Q. And this is the information that you received in support of

CCI's request for a restart of their bonding program, sir?

A. Yes.

Q. Thank you. Now, Mr. Daily, I would like you to turn to what has been premarked as Exhibit 186.

MR. MCCARRON: 186?

Q. 186.

A. Okay.

Q. Would you please review 186 for me, please?

A. This is --

Q. I want you to review it first, please. Review the information contained therein.

(Brief pause.)

A. All right.

Q. Have you reviewed that material, sir?

A. Yes.

Q. And, Mr. Daily, I'm going to ask you to direct your attention to the columns on each of the first three pages of Exhibit 186 entitled "As Restated." Would you do that for me, please?

A. Yes.

Q. And also to direct your attention to the middle column which is entitled "adjustments. "

A. Yes.

Q. Would you do that for me, sir?